

AMENDED IN SENATE APRIL 11, 2007

SENATE BILL

No. 357

Introduced by Senator Cox

February 20, 2007

An act to amend Sections 10202, 10202.8, ~~and 10203.4~~ 10203.4, and 10270.5 of the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 357, as amended, Cox. Life insurance: group policies.

Existing law provides that group life insurance may be written under a policy covering not less than 10 persons.

This bill would provide that group life insurance may be written under a policy covering not less than 2 persons.

Existing law provides that the premium for group life insurance issued to an employer may be paid by the employer or the employer and employees jointly.

This bill would provide that the premium for group life insurance issued to an employer may be paid by the employee, employer, or the employer and employees jointly.

Existing law requires that 75% of eligible employees must participate in group life coverage if part of the premium is paid with eligible employee contributions.

This bill would delete that requirement.

Existing law provides that coverage for dependants may continue through 22 years of age if the dependant is attending an educational institution.

This bill would provide that coverage for dependants may continue through 24 years of age if the dependant is attending an educational institution.

Existing law provides for group disability insurance, provided it is issued under specified conditions, including the requirement that the policy insure not less than 3 employees, agents, or members.

This bill would reduce the required number of insureds from 3 to 2.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10202 of the Insurance Code is amended
2 to read:
3 10202. Life insurance conforming to all the following
4 conditions is one form of group life insurance:
5 (a) Written under a policy covering when issued not less than
6 two public or private employees.
7 (b) Written under a policy issued to the employer, the premium
8 on which is to be paid by the employer, by the employee, or by
9 the employer and employees jointly, and insuring either all of the
10 employees or all of any class or classes thereof, determined by
11 conditions pertaining to the employment.
12 (c) For amounts of insurance based upon some plan which will
13 preclude individual selection.
14 (d) For the benefit of persons other than the employer. That
15 group insurance may be for the benefit of a trustee of a pension,
16 welfare benefit plan, or trust established by an employer providing
17 life, health, disability, retirement, or similar benefits to employees
18 of the employer or its affiliates, and acting in a fiduciary capacity
19 with respect to those employees, retired employees, or their
20 dependents or beneficiaries, where the trustee has an insurable
21 interest in the lives of the employees for whom those benefits are
22 to be provided and where the employee has consented in writing
23 to the coverage.
24 (e) When the premium is to be paid by the employer and
25 employee jointly and the benefits of the policy are offered to all
26 eligible employees, ~~written under a policy insuring, when issued,~~
27 ~~not less than 75 percent of those employees.~~
28 (f) Terminating if, subsequent to issue, (1) the number of
29 employees insured falls below two lives ~~or 75 percent of the~~
30 ~~number of employees eligible and, and~~ (2) the employee
31 contributions, if the premiums for the insurance are on a renewable

1 term insurance basis, exceed one dollar (\$1) per month per one
2 thousand dollars (\$1,000) of insurance coverage plus an amount
3 equal to any additional premium per one thousand dollars (\$1,000)
4 of insurance coverage charged to cover one or more hazardous
5 occupations.

6 That insurance may be issued either with or without medical
7 examinations.

8 SEC. 2. Section 10202.8 of the Insurance Code is amended to
9 read:

10 10202.8. A group life policy conforming to all the following
11 conditions may be issued to the trustees of a fund established by
12 employer members of a trade association, or by a trade association
13 maintained by contributions of such members for the sole benefit
14 of their employees or, by one employer, or by two or more
15 employers in the same industry, or by an association of employers
16 in the same industry, or by one or more labor unions, or by one or
17 more employers and one or more labor unions, or by an association
18 of employers and one or more labor unions, to insure employees
19 of the employers or members of the unions for the benefit of
20 persons other than the employers or the unions:

21 (a) The persons eligible for insurance shall be all of the
22 employees of the employers or all of the members of the unions,
23 or all of any class or classes thereof determined by conditions
24 pertaining to their employment, or to membership in the unions,
25 or to both. The policy may provide that the term “employees” shall
26 include retired employees, and the individual proprietor or partners
27 if any employer is an individual proprietor or a partnership. No
28 director of a corporate employer shall be eligible for insurance
29 under the policy unless such person is otherwise eligible as a bona
30 fide employee of the corporation by performing services other than
31 the usual duties of a director. No individual proprietor or partner
32 shall be eligible for insurance under the policy unless he is actively
33 engaged in and devotes a substantial part of his time to the conduct
34 of the business of the proprietor or partnership. The policy may
35 provide that the term “employees” shall include the trustees or
36 their employees, or both, if their duties are principally connected
37 with such trusteeship.

38 (b) The premium for the policy shall be paid by the trustees
39 either: (a) wholly from funds contributed by the employer or
40 employers of the insured persons, or by the union or unions, or by

1 both; or (b) partly from such funds and partly from funds
2 contributed by either all of the insured persons or by one or more
3 classes thereof, or (c) wholly derived funds contributed by the
4 insured persons.

5 (c) The policy must cover at the date of issue at least 50 persons.

6 (d) The amounts of insurance under the policy must be based
7 upon some plan precluding individual selection by the insured
8 persons or by the trustees, employers or unions.

9 That insurance shall be issued with or without medical
10 examination. For the purpose of this section the word “industry”
11 shall include licensed professions, such as medicine, dentistry,
12 pharmacy, law and accountancy.

13 SEC. 3. Section 10203.4 of the Insurance Code is amended to
14 read:

15 10203.4. (a) Insurance under any group life insurance policy
16 issued pursuant to Sections 10202, 10202.8, 10203, 10203.1, and
17 10203.7 may be extended to insure the dependents, or any class
18 or classes thereof, of each insured employee who so elects, in
19 amounts in accordance with some plan that precludes individual
20 selection and that shall not be in excess of 100 percent of the
21 insurance on the life of the insured employee.

22 (b) “Dependent” includes the member’s spouse and all
23 unmarried children from birth through 20 years of age, or through
24 24 years of age if the dependent child is attending an educational
25 institution, or a child 21 years of age or older who is both incapable
26 of self-sustaining employment by reason of mental retardation or
27 physical handicap and chiefly dependent upon the employee for
28 support and maintenance if proof of the incapacity and dependency
29 is furnished to the insurer by the employee within 31 days of the
30 child’s attainment of the limiting age and subsequently as may be
31 required by the insurer, but not more frequently than annually after
32 the two-year period following the child’s attainment of the limiting
33 age.

34 (c) The premiums for the insurance on the dependents may be
35 paid by the employer, the employee, or the employer and the
36 employee jointly.

37 SEC. 4. Section 10270.5 of the Insurance Code is amended to
38 read:

39 10270.5. Group disability insurance is that form of disability
40 insurance which conforms to all of the following conditions:

(a) Written under a master policy, *issued to any of the following:*

(1) ~~Issued either to the~~ The federal or state government, ~~or to~~
any federal or state agency, political subdivision or district, ~~or to~~
any public, governmental, or municipal corporation, ~~or to~~ any unit,
agency, or department thereof, ~~or to~~ any corporation, copartnership
or individual employer, or to the trustee of any association of
employers, offering insurance to all the employees of ~~any such the~~
employer or of the employer members of ~~such the~~ the association or
to all of any class or classes thereof determined by conditions
pertaining to employment and covering not less than ~~three two~~
such employees or ~~such those~~ employees together with their
dependents or spouses for amounts of insurance based upon some
plan which will preclude individual selection by the employee as
to the amount of his or her insurance coverage thereunder; ~~or.~~

(2) ~~Issued to a~~ A principal eligible to have issued to him or her
a policy of group life insurance under the provisions of Section
10203.7 and insuring not less than ~~three two~~ agents as defined in
that section and eligible thereunder to be insured, or ~~such those~~
agents together with their dependents or spouses; ~~or.~~

(3) ~~Issued to any~~ Any association having a constitution and
bylaws and formed and continuously maintained in good faith for
purposes other than that of obtaining insurance, offering insurance
to all the eligible members, or class of members, of ~~such the~~
association and covering not less than ~~three two~~ such members or
~~such those~~ members together with their dependents or spouses and
not less than 25 percent of all eligible members, or class of
members, for amounts of insurance based upon some plan which
will preclude individual selection by the member as to the amount
of his or her insurance coverage thereunder. If the master policy
is to be issued to cover members of labor unions, it may be issued
to more than one such union; ~~or.~~

(4) ~~Issued to an~~ An association or ~~to a~~ trust, or ~~to the~~ trustees
of a fund established, created, or maintained for the benefit of
members of one or more associations. The association or
associations shall have at the outset a minimum membership of
100 persons, and shall be organized and maintained in good faith
for purposes other than that of obtaining insurance. The association
or associations shall have been in active existence for at least two
years, and shall have a constitution and bylaws which require
regular meetings not less than annually to further purposes of the

1 members. The members shall have voting privileges and
2 representation on the governing board or boards and committees.
3 The policy shall be subject to the following requirements:

4 (A) The policy may insure members of the association or
5 associations, and employees thereof.

6 (B) The premium for the policy shall be paid from funds
7 contributed by the association or associations, or by members, or
8 by both, or from funds contributed by the covered persons, or from
9 both the covered persons and the association.

10 (C) A policy on which no part of the premium is to be derived
11 from funds contributed by the covered persons specifically for the
12 insurance shall insure all eligible persons, except those who, in
13 writing, reject the coverage.

14 (5) ~~Issued to any~~ Any trustees eligible to have issued to them
15 a policy of group life insurance under the provisions of Section
16 10202.8 and insuring not less than ~~three~~ *two* employees or members
17 eligible thereunder to be insured or ~~such~~ *those* employees or
18 members together with their dependents or spouses; ~~or~~.

19 (6) ~~Issued to a~~ A school district or districts ~~or to~~, the governing
20 board of any school district or districts ~~or to~~, a private or parochial
21 school or schools, or ~~to~~ the governing board or person in charge
22 of the operation of any private or parochial school or schools,
23 insuring not less than 50 pupils of the school or district and
24 providing benefits to pupils or persons responsible for their support
25 for death or dismemberment resulting from accident or for hospital,
26 medical and surgical expenses resulting from accident to ~~such~~
27 *those* pupils while they are in or on buildings or premises of the
28 schools or districts during the time ~~such~~ *the* pupils are required to
29 be therein or thereon by reason of their attendance upon a college
30 or a regular day school or any regular day school of a school district
31 or districts or while being transported by the school or schools or
32 district or districts to and from school or other place of instruction
33 or while at any other place as an incident to school sponsored
34 activities and while being transported to, from and between ~~such~~
35 *these* places; ~~and under which~~.

36 (b) Transmission or collection of all premiums or premium
37 contributions shall be performed by the policyholder, except where
38 the policy specifies the persons other than the policyholder by
39 whom ~~such~~ *the* transmission or collection shall be made, and in
40 one of the following situations:

1 (1) If ~~such~~ *the* policy covers the employees of more than one
2 employer, the insurer may collect premium contributions from
3 individual employers whose employees are insured or may assist
4 the policyholder in making ~~such~~ *these* collections. If the employees
5 of more than 100 such employers are covered under ~~such~~ *that*
6 policy, it shall state as a separate part of the premium to be charged
7 for the policy the amount to be charged by the insurer for ~~such~~ *the*
8 collection.

9 (2) If the policy covers a group of governmental employees and
10 the governmental unit paying ~~such~~ *those* employees will not
11 transmit their premium contribution after payroll deduction, the
12 insurer may collect from the individual employees. If more than
13 100 ~~such~~ *of these* employees are covered under ~~such~~ *that* policy,
14 it shall state as a separate part of the premium to be charged for
15 the policy the amount to be charged by the insurer for ~~such~~ *the*
16 collection.

17 (3) If individual members of the group make payment of their
18 share of the premium contribution to the insurer with or without
19 billing or solicitation by the insurer during a period of temporary
20 absence from active work of not exceeding 90 days, ~~such~~ *the*
21 payment may be received without the necessity of any separately
22 stated charge by the insurer.

23 (4) If the policy covers the members of an association, the
24 insurer may collect premium contributions from individual
25 members or may assist the policyholder in making ~~such~~ *these*
26 collections. If more than 100 such members are covered under
27 ~~such~~ *that* policy, it shall state as a part of the premium to be
28 charged for the policy the amount to be charged by the insurer for
29 ~~such~~ *the* collection.

30 (c) There is issued and delivered in accordance with the policy
31 provision required by subdivision (b) of Section 10270.6 an
32 individual certificate setting forth the benefits and the exceptions
33 under, and referring to, the master policy under which the
34 certificate is issued.

35 ~~Such~~
36 *Those* certificates are not subject to the provisions of this chapter
37 relating to the master policy, but the forms thereof shall be
38 submitted to the commissioner for his or her approval and shall

- 1 not be issued without ~~such~~ approval of ~~such~~ *the* forms in the
- 2 manner provided in the case of the master policy.